



**Office of the City Manager**

TO MAYOR/COUNCIL FYI  
Date 2-26-10 By Rudd

February 25, 2010

TO: HONORABLE MAYOR ASHLEY SWEARENGIN  
COUNCIL PRESIDENT LARRY WESTERLUND  
COUNCILMEMBERS

FROM: BRUCE A. RUDD, Interim City Manager 

SUBJECT: FY 2010-2011 BUDGET PREPARATION INFORMATION AND WHITE PAPER  
TRANSMITTAL

On March 4, 2010, City staff will make a second presentation to the City Council concerning the status of the City's budget related to current and future revenue and expense projections. Currently, staff is researching several cost-saving options that could be used to mitigate the impacts associated with a further decline in ongoing operational resources. While some of these options being considered are still in their preliminary stages, many are showing promising results and may be included as part of the Mayor's Proposed FY11 Budget.

Please note that some of the options being researched, while not new, will represent a substantial change in our current operations. The decision to pursue many of these alternatives does not come lightly. However, given the dire nature of the economic situation facing the City now and the foreseeable future, it would be irresponsible of the City, as stewards of the public's money, to ignore these potentially viable cost-saving measures.

As you are aware, staff has already researched and finalized plans for an Employee Retirement Program. The goal of this program is to minimize layoffs and subsequent unemployment insurance increases that occur when employees are laid off. Information about the specifics of the program will also be provided during the March 4<sup>th</sup> Council meeting. While such a program will require an initial investment of existing resources, we anticipate having ongoing salary savings and lower unemployment insurance costs if employees take advantage of the program. Given the uncertainty associated with anticipated participation levels, it is too early to determine the level of investment that may be required, although we are targeting \$1 million with the program.

In addition to this program, the City Manager's Office requested that staff prepare the attached briefing papers on three other potential cost-saving measures: (1) franchising the Commercial Solid Waste operation, (2) outsourcing and/or partnering with other stakeholders for park and median island maintenance activities, and (3) developing partnerships with community-based organizations for operation of the City's community centers.

These white papers are intended to provide the Council with a high-level overview of the research that is underway for each measure. Once this research is concluded, staff will make a recommendation to the Mayor and City Manager on the feasibility of the measure. Based on this analysis a decision will be made in regard to feasibility and potential savings and subsequently included in the Mayor's proposed FY11 budget.

If you have any questions or need further information concerning this matter, please feel free to contact me at 621-7780.



DATE: February 25, 2010

SUBJECT: EMPLOYEE RETIREMENT INCENTIVE

The intent of an Employee Retirement Incentive (ERI) program is to reduce the number of employees facing layoffs and mitigate the fiscal impact of layoffs by reducing unemployment costs. The City is pursuing an ERI program that provides cash incentives to encourage eligible employees to retire on or before a date certain. Under the proposed ERI eligible employees will be offered one week's base pay for every year of service with a maximum of \$50,000 and a minimum of \$10,000. Employees currently in DROP are subject to further limitations. In order to control costs, the total General Fund incentive is targeted to not exceed \$1,000,000. This amount is subject to further analysis and is dependent upon the level of interest and cost/benefit

#### Benefits

- The program will be limited to positions that can be left vacant, resulting in long term salary savings, or filled by another City employee.
- Reduction in unemployment costs as employees who leave under an ERI are not eligible for unemployment once they leave City service.

#### Open Issues

- The only feasible way to determine how many employees will accept an ERI is to invite participation in the program. Once the number of participants is determined, the savings can be quantified.
- Federal regulations require both a 45-day review period and an additional seven days in order to revoke participation. This could result in some fluidity in who will actually participate.

#### Next Steps

A packet of information on the proposed Employee Retirement Incentive is currently being prepared for all eligible employees. It is anticipated that the information, including the period in which sign-ups will occur, will be sent out the week of March 1<sup>st</sup>. A review of eligibility and a cost/savings analysis will then be conducted to determine participation levels, the amount of savings that can be achieved, and if there are any potential operational impacts associated with reductions in particular classifications (e.g., public safety). Once the analysis has been completed, a recommendation will be made to the Mayor and City Manager for possible inclusion in the Mayor's proposed FY11 budget.





## DEPARTMENT OF PUBLIC UTILITIES – ADMINISTRATION



DATE: February 25, 2010

SUBJECT: **COMMERCIAL SOLID WASTE FRANCHISE WHITE PAPER**

The transition to privately-owned service providers presents a number of potential benefits to the City, most notably franchise fee collection opportunities to benefit the City's General Fund and introduction of commercial solid waste service competition. Based on previous analysis, it is estimated that a 10% franchise fee would generate \$2 million annually to the City's General Fund. This estimate may be conservative based on the level of franchise fees collected by other cities. Currently, the City's commercial solid waste operations contribute approximately \$20.5 million or 42% of total solid waste revenues.

### Benefits

- The City will be able to collect a franchise fee from the commercial solid waste franchisee(s), to be available as additional revenue to the General Fund. The net benefit to the General Fund has been estimated at \$2 million annually.
- Privatization of the City's commercial solid waste operations would provide increased competition, accountability and discipline into the marketplace, which may eventually result in lower prices and improved service for commercial solid waste customers.
- The business can potentially be run more efficiently by a franchisee(s) due to their lower overhead and other possible operating efficiencies.
- The City would eliminate any liability for commercial truck accidents.

### Open Issues

- Franchisees are sometimes tempted to cut corners in order to reduce their costs and increase profits, resulting in reduced customer service and satisfaction.
- Even after franchising, the City would still be responsible for meeting regulations with respect to AB939 and its mandatory solid waste diversion targets, thus requiring that any agreement contain appropriate monitoring and compliance strategies.
- The commercial solid waste operation contributes approximately \$6.3 million in ISF charges to the City, including fleet charges of approximately \$3.7 million (includes \$1.4 million for fleet depreciation and \$2.3 million for fleet service charges). Subsequent reductions in ISF charges will also impact supporting departments such as Personnel, General Services, and Information Services.

### Next Steps

Franchising the commercial solid waste collection services to private service providers could be accomplished in a number of ways, including the following alternatives:

- Four contract areas or quadrants with multiple private haulers
- Open market competition in which customers are responsible for securing their own service among any licensed hauler.

The City Manager has assigned a team who is already reviewing previous studies and will be addressing remaining issues. The team will then present their findings to the City Manager and Mayor and may be considered for inclusion in the Mayor's Proposed FY2011 Budget.

City of



**PARKS, AFTER SCHOOL, RECREATION AND COMMUNITY SERVICES DEPARTMENT**

**DATE:** February 25, 2010

**SUBJECT: OUTSOURCING PARKS MAINTENANCE AND MEDIAN ISLANDS**

The Office of the City Manager, along with the PARCS and Public Works Departments, is examining the possibility of outsourcing parks and median island maintenance. The goal of this effort is to determine if the quality and cost of these services can be improved by contracting with local landscaping companies to maintain parks, median islands, and other green spaces located within designated landscape areas.

**PARCS – Parks Maintenance**

At this time, the envisioned scope of work would include mowing, minor irrigation repair and landscape maintenance. Landscape Maintenance would include, but be not limited to, all weeding, spraying, raking, litter pick up, trash removal, low-limb pruning, replacement of plant material, ongoing pruning of all shrubs, leaf sweeping, turf surface repair and inspection, graffiti removal, ball field preparation and safety inspections of the facility. Parks currently maintains approximately 1,600 acres of parks, trails, and buildings.

**Public Works – Median Islands**

Public Works already has existing models in place for outsourcing landscape work to private landscaping firms. In 2008, Public Works issued an RFP and awarded a competitive contract for contractor-maintained public landscape (medians and buffers) in Community Facility District (CFD) funded areas. While this initiative was originally designed as a pilot program, the information and experience gained through this effort will be used as the basis in which to analyze both cost effectiveness as well as customer satisfaction of the proposed initiative.

**Open Issues**

One consideration that requires further review is the cost associated specifically with median island maintenance and whether or not the substitution of privately contracted services will be more cost-effective than the current service delivery model. This is due to the fact that much of our median and buffer landscape work is performed by two labor groups with low cost basis – Adult Offenders (AOs) and the Local Conservation Corps (LCC).

Adult Offenders are individuals who have been convicted of non-violent crimes and are sentenced to community service. There is no labor cost for this group of workers, other than worker compensation costs and the time of our leadworkers acting in a supervising capacity. There may be an opportunity to offset the savings derived through the use of low-cost labor through the establishment of landscape areas and the reductions in mobilization and transportation related costs. This option may also provide an opportunity to reallocate the existing low cost resources to help in maintaining other City assets.

Outsourcing Parks Maintenance and Median Islands

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Based on these initial discussions, and the success of the program implemented by Public Works in 2008, the City Manager has assembled a team who is currently evaluating the whether such an alternative is viable. Based on the teams analysis a recommendation will then be made to the City Manager and Mayor who will determine if such an option will be included in the Mayor's proposed FY11 budget.



City of



**PARKS, AFTER SCHOOL, RECREATION AND COMMUNITY SERVICES DEPARTMENT**

**DATE:** February 25, 2010

**SUBJECT: COMMUNITY AND NEIGHBORHOOD CENTER PARTNERSHIPS**

In light of the City's current budget downturn, Mayor Swearengin, the PARCS Department and community non-profit groups are working on solutions to continue service at ten Neighborhood Centers. There are currently 16 Neighborhood and Community Centers that provide services and programs to the public Monday through Friday. The new EOC facility, located at California and Elm, is scheduled to open July 1, 2010, which would bring the total number of facilities to 17.

There are seven sites, including the new EOC facility, that are designated as "flagships" of the Department. That designation is given to centers that provide service or amenities that require a greater level of management or oversight due to;

- Higher daily attendance by the public
- Designation as an Emergency Shelter Operations in association with the American Red Cross and the City's emergency efforts
- Extensive outdoor sports usage (Basketball, Soccer, Tennis, Lawn Bowling, Baseball/Softball fields)
- Demand for auditoriums, Social Halls, or sports fields
- Current occupation by other agencies (Head Start, Fresno County Libraries, Chicano Youth Center and Police Auditor)
- PARCS Department staffing locations include Dickey Youth Development Center (new administrative office), Ted C. Wills Community Center (Adult Sports, Action Sports, Youth Sports and Neighborhood Parks), and Mosqueda Community Center (contracted services for Senior Hot Meals, Fresno BEST, After School Recreation, Community Science and Aquatics)

This leaves the ten remaining Neighborhood Centers available for non-profit groups who would partner with the City in providing services and programs to the community. Two exploratory meetings have been conducted thus far to determine if non-profit groups have the capacity and interest in providing a comparable or expanded level of programming and services to various neighborhoods.

It is envisioned that many of these non-profits groups could provide similar recreation programs currently being offered along with "specialized" services that they may be applicable to a specific organization.

As these discussions are still in their preliminary stages, outstanding issues such as the sharing of maintenance or utility costs have not been finalized, although all non-profits would be responsible for acquiring and maintaining the appropriate levels of insurance. It should be noted that while initial discussions have evolved around the Neighborhood Centers there has been some interest in providing services out of the larger facilities as well.

The next steps in this process is to expand this discussion to other non-profit groups by scheduling an informational meeting within the next three weeks, during which time, a facility "open houses" will also be held. Based on the level of community interest, the City may initiate a formal process in which stakeholders will be asked to provide information related to ability to share in ongoing operational costs and/or the types of services or programs that would be provided.

These proposals will then be reviewed by staff to determine if these partnerships can be used to help in reducing costs while still providing the community with a equivalent level of programming and activities. Based on this review, a recommendation could be made to award contracts to various non-profits and to include the projected cost savings in the Mayor's Proposed FY11 Budget.